

Message Text

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PAGE 01 TEGUCI 01168 191830Z

41

ACTION ARA-20

INFO OCT-01 ISO-00 IO-14 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 DRC-01 /187 W

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P R 191711Z MAR 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC PRIORITY 6590

INFO AMEMBASSY BOGOTA

AMEMBASSY BRAZILIA

AMEMBASSY GUATEMALA

AMCONGEN GUAYAQUIL

AMEMBASSY MANAGUA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 1168

E.O. 11652: GDS

TAGS: ETRD, PFOR, XX

SUBJECT: BANANAS

REF: STATE 053281 AND TEGUCIGALPA 1155

SUMMARY: AMBASSADOR SANCHEZ SPOKE TO LA COMBE OF UNITED FRUIT AND ECOMOFF SPOKE TO ROTOLO AND EATON FO STANDARD FRUIT MARCH 16 AND 17. UNITED FRUIT POSITION IS IT WILL DO WHAT IT CAN TO ASSIST BANANA EXPORTING COUNTRIES. STANDARD FRUIT INTENSELY CONCERNED THAT \$1 PER BOX ADDITIONAL COST WILL PLACE INDUSTRY IN CENTRAL AMERICA IN DISASTROUS CONDITION. END SUMMARY.

CONFIDENTIAL

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PAGE 02 TEGUCI 01168 191830Z

1. UNITED FRUIT REPRESENTATIVE LA COMBE TAKES POSITION THAT UNITED FRUIT WILL "DO WHAT IT CAN TO ASSIST THE BANANA EXPORTING COUNTRIES."

2. EATON AND ROTOLO OF STANDARD FRUIT WHO PARTICIPATED IN BOTH PANAMA AND TEGUCIGALPA SESSIONS WITH GOVERNMENT OFFICIALS HAVE PRESENTED IN CONCERT WITH DEL MONTE AND UNITED FRUIT AN UNSIGNED POSITION PAPER (SEPTTEL) WHICH OUTLINES BASIC DISAGREEMENT WITH BANANA EXPORTING GOVERNMENTS ON THE EFFECTS OF \$1 PER BOX TAX, OR SURCHARGE, OR EXPORT DUTY, WHATEVER IS INTENDED. STANDARD FRUIT'S VIEW CONDITIONED BY INTENSIVE ECONOMIC ANALYSIS OF MARKET, THE POTENTIAL OF OTHER SUPPLIERS INTO THAT MARKET, AND ELASTICITY OF DEMAND BASED UPON PAST PRICE SWINGS. STANDARD ALSO CONCERNED THAT REDUCED VOLUME OF EXPORTS DUE TO HIGHER COSTS IN FORM OF SOME KIND OF TAX WILL FEED BACK INTO PRODUCTION CYCLE AND FORCE EVEN HIGHER PRICE INCREASES. ABOVE POSITION PRESENTED TO GOVERNMENTS ASSEMBLED IN PANAMA. RESPONSE BOTH IN PANAMA AND TEGUCIGALPA ON PART OF MINECONS AND OTHER TECHNICIANS WAS THAT THAT DECISION TO

INCREASE PRICE TAKEN BY CHIEFS OF STATE AND THEREFORE DECISION NOT "DISCUSSIBLE."

3. STANDARD FRUIT POSITION HAD BEEN REVIEWED AND AGREED AMONG 3 COMPANIES AT PANAMA MEETINGS. PRESENT ATTITUDE OF UNITED THEREFORE CONSTITUTES SOME CHANGE. DEL MONTE, VERY MUCH A MINORITY EXPORTER TO US APPARENTLY FOLLOWING DECISIONS OF UNITED.

4. STANDARD FRUIT MADE ALL PRESENTATIONS AND DISCUSSIONS IN LOW-KEY, LOGICAL TONE ACCORDING TO REPRESENTATIVES HERE. STANDARD HAS 75 YEARS EXPERIENCE IN HONDURAS AND DOES NOT TREAT THESE PROBLEMS LIGHTLY. NONETHELESS IT HAS ADVISED THE HONDURAN GOVERNMENT IT WILL NOT SHIP BANANAS AT THE PRICE IMPLIED BY A \$1 PER BOX ADDITIONAL COST. IT HAS NO USE FOR BANANAS NOT SHIPPED, E.E., IT DOES NO PROCESSING OF BANANAS INTO OTHER PRODUCTS, THEREFORE STANDARD'S DECISION IMPLIES REMOVING ITSELF FROM THE BANANA EXPORT MARKET FROM HONDURAS. THE DATE OF THIS ACTION WOULD BE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 TEGUCI 01168 191830Z

THE EFFECTIVE DATA OF THE ADDITIONAL CHARGE TO BE LEVIED BY THE HONDURAN GOVERNMENT, PROBABLY APRIL 1.

4. STANDARD CONCEIVES OF ITS POSITION AS BEING FULLY LOGICAL AND DOCUMENTED BY ITS LONG EXPERIENCE IN THE BANANA MARKET. IT HAS OFFERED AN IMMEDIATE TOUR TO THE U.S. FOR MINECON BENNATON AND SUCH OTHERS AS MAY BE IMPORTANT TO THE HONDURAN GOVERNMENT DECISION MAKING

PROCESS. SUCH TOUR WOULD FOLLOW PATTERN OF BANANA MOVEMENT INTO THE U.S. MARKET INCLUDING UNLOADING, RIPENING, DISTRIBUTION TO WHOLESALERS, AND DISTRIBUTION TO RETAILERS. TRIP WOULD BE FOR MINIMUM OF 3 DAYS AND IS "NORMAL" IN THE COMPANY'S PUBLIC RELATIONS PROGRAM. FURTHER STANDARD HAS OFFERED TO DISCUSS WITH GOH AND OTHER GOVERNMENTS THE IMPLICATIONS OF THE TAX WHEN CARRIED THROUGH TO ITS LOGICAL CONCLUSION. UT HAS ALSO VOLUNTEERED TO DISCUSS ALTERNATIVES WITH THE GOVERNMENTS WHICH WOULD HAVE LESSER DESTUCTIVE IMPACT.

5. MINECON BENNATON (NOW IN ECUADOR) WILL HAVE APPOINTMENT AT HIS REQUEST WITH AMBASSADOR OR OTHER EMBASSY OFFICIAL ON WEDNESDAY MARCH 20. WAITE OF STANDARD FRUIT DUE IN TEGUCIGALPA THURSDAY.

6. IN ADDTIOON TO SPECIAL CONSIDERATION ALSO WAS PROVIDED IN THE TEGUCIGALPA CHIEFS OF STATE CONFERENCE FOR NICARAGUA BASED UPON THAT COUNTRY'S DIFFICULTIES ARISING FROM EARTHQUAKE DAMAGE.

7. COMMENT: EMBASSY CONCURS DEPT POSITION TO KEEP DIALOGUE GOING. HOWEVER, STANDARD HAS FOUND BOTH IN PANAMA AND IN TEGUCIGALPA THAT DIALOGUE CONSISTS OF LISTENING TO PREDETERMINED DECISIONS REACHED BY CHIEFS OF STATE AND PASSED DOWN TO "TECHNICAL LEVEL" FOR IMPLEMENTATION. STANDARD FRUIT VIEWS THIS CONDITION AS CERTAIN TO VIOLENTLY DISRUPT SUPPLY INTO U.S. MARKET AND PROBABLY RESULT OF DISARRAY AND DISCORD AMONG CENTRAL AMERICA AND ALLIED COUNTRIES. WE SHALL, IN DISCUSSIONS WITH BENNATON MARCH 20, ASSIST IN WHATEVER WAY POSSIBLE IN CONTINUING DIRECT TALKS.
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